

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 PA-01 /085 W
-----088200 180604Z /11

R 170615Z FEB 78
FM AMEMBASSY AMMAN
TO SECSTATE WASHDC 5122
INFO AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMCONSUL JERUSALEM
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 1 OF 2 AMMAN 1615

DEPARTMENT PASS AID

E.O.11652: GDS
TAGS: EFIN, JO
SUBJECT: GOJ 1977 BUDGET PERFORMANCE/PROSPECTS FOR 1978

REF: A) AMMAN 1191, B) 1977 AMMAN 9602 (NOTAL),
C) 1977 AMMAN 9621 (NOTAL), D) AMMAN 337 (NOTAL)

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1. SUMMARY -- 1978 PUBLISHED GOJ CURRENT BUDGET SHOWS
OBVIOUS ATTEMPT AT AUSTERITY IN RESTRAINING EXPENDI-
TURES WHERE POSSIBLE IN OBVIOUS CONTRAST TO ORIGINAL
1977 BUDGET, WHICH WAS QUITE EXPANSIONARY. ECONOMIC DEVELOPMENT
BUDGET FOR 1978 IS, HOWEVER, ESTIMATED AT ABOUT SAME RATE AS 1977--
ASSUMING, AS HAS BEEN CASE IN PAST, MOST "EXPECTED" LOANS DO NOT
TAKE PLACE. NEED FOR BUDGETARY RESTRAINT FOR COMING
YEAR WAS APPARENTLY PRESSED UPON FRAMERS OF
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JORDANIAN BUDGET BY REQUIREMENT FOR MASSIVE BUDGET
FROM ARAB DONORS, MOST OF WHICH THEY CANNOT BE
CERTAIN OF ACTUALLY RECEIVING. END SUMMARY END CONFIDENTIAL.

BEGIN UNCLASSIFIED

2. THERE FOLLOWS TABULAR COMPARISON OF BUDGET
RECEIPTS AND EXPENDITURES FOR (FY EQUALS) CY 1977 AND

PROJECTED 1978 RECEIPTS AND EXPENDITURES. ALL
FIGURES GIVEN FOR 1978 ARE "ESTIMATES" FROM 1978
GOJ BUDGET LAW AND MINISTRY OF FINANCE "PRELIMINARY
ACTUALS" FOR PREVIOUS YEARS.

(IN JD MILLIONS)

1 JD EQUALS APPROXIMATELY \$3 US

PART I, CURRENT BUDGET

1977 REESTIMATED 1978

BUDGET	BUDGET LAW	
TOTAL REVENUES	289.8	286.8
DOMESTIC SOURCES	145.4	158.8
GRANT AID	120.9	103.0
SAUDI ARABIA	9.8	10.0
KUWAIT	16.2	16.0
UNITED STATES	14.8	14.0
RABAT	33.7	52.0
OTHER (ARAB)	46.4	11.0
FOREIGN AND DOMESTIC LOANS	8.5	10.0
DEFICIT (DOMESTIC BONDS)	15.0	15.0
TOTAL EXPENDITURES	265.9	286.8
CURRENT	186.6	201.5
CIVIL SERVICE	80.8	85.2
RELIEF (1967 REFUGEES)	4.0	4.0
INTEREST ON PUBLIC DEBT	8.0	8.0
EMERGENCIES & SUBSIDIES	12.5	9.0
ARMED FORCES	69.4	82.0
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PUBLIC SECURITY	11.9	13.3
CAPITAL/ORDINARY AND		
FIVE YEAR PLAN	79.3	85.3

PART II, DEVELOPMENT BUDGET

(FOREIGN FINANCED, REVENUES EQUAL EXPENDITURES
FOR EACH ELEMENT)

TOTAL	60.6	85.0
ECONOMIC AND TECHNICAL		
ASSISTANCE (GRANT)	4.0	4.0
CONTRACTED LOANS	53.6	61.0
EXPECTED LOANS	3.0	20.0
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3. REVENUES--TOTAL PART I REVENUES ARE PRO-
JECTED TO DECREASE IN 1978 AFTER INCREASE OF 35
MILLION JD IN PREVIOUS YEAR. THIS IS BECAUSE OF
RECORD 1977 RECEIPT OF BUDGET SUPPORT (34 MILLION
JD MORE THAN ESTIMATED AT BEGINNING OF 1977, CF.
REF C)) AND LARGE 1977 INCREASE IN RECEIPTS FROM
CUSTOMS LEVIES (ACTUAL OF 74 MILLION JD RECEIVED
AS OPPOSED TO 59 MILLION JD ORIGINALLY ESTIMATED).

OVERALL, DOMESTIC REVENUES ARE ESTIMATED TO SHOW
A 1978 INCREASE OF SOME 9 PERCENT OVER 1977 IN WHICH
YEAR THEY INCREASED BY 31PERCENT. 1978 CUSTOMS RECEITS
ARE REALISTICALLY, IF PERHAPS SOMEWHAT PESSIMISTICALLY,
EXPECTED TO DECLINE BY 6 MILLION JD: CUSTOMS RECEIPTS
IN THIS CATEGORY REFLECTS PRIVATE BUSINESS SLOWDOWN THAT
DEVELOPED NEAR END OF 1976 AND CONTINUED THROUGH 1977.

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C O N F I D E N T I A L SECTION 2 OF 2 AMMAN 1615

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WITH EXCEPTION OF CUSTOMS RECEIPTS, ALL
OTHER CATEGORIES OF GOVERNMENT REVENUES FROM DOMESTIC
SOURCES ARE PROJECTED TO INCREASE. IT APPEARS TO
US THAT, WITH ONE EXCEPTION, ESTIMATES FOR INCREASES
IN DOMESTIC REVENUES ARE REASONABLE (IN SOME CASES
PERHAPS CONSERVATIVE), ESPECIALLY IN VIEW OF NEW
REVENUE MEASURES TAKEN IN 1976 AND 1977 (REF B)).
WE SUSPECT THAT "ROYALTIES" (I.E. EXPORT TAX ON
PHOSPHATES), ESTIMATED TO INCREASE BY 1.5 MILLION
JD (38 PERCENT OVER 1977), PRESUMES UNREASONABLY HIGH
RISE IN INTERNATIONAL PRICES AND/OR EXPORT VOLUME.
PROJECTED INCREASED INCOME AND PROFITS TAX COLLECTION
IS TO RISE 24 PERCENT OVER 1977 FOLLOWING 35 PERCENT INCREASE
OF PREVIOUS YEAR. WHILE RESPECTABLE IN RELATIVE

TERMS, AS JORDAN'S ONLY SIGNIFICANT DIRECT TAXATION
MEASURE AND HAVEING STARTED FROM LOW BASE, GOJ
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PERFORMANCE IN INCOME AND PROFITS TAXATION RE-
MAINS RELATIVELY LOW. HOWEVER, GOJ CONTINUES TO
EMPHASIZE GREATER ADMINISTRATIVE EFFICIENCY RATHER
THAN AMENDMENT OF LEGISLATION.

4. WHEREAS PROJECTED GOVERNMENT REVENUES FROM DOMESTIC SOURCES
APPEAR GENERALLY REASONABLE, ESTIMATED BUDGET SUPPORT
FROM ARAB DONORS IS HIGHLY OPTIMISTIC. TOTAL OF
103 MILLION JD IN BUDGET SUPPORT ESTIMATED FOR
1978 IS HIGHEST EVER ANNOUNCED AT BEGINNING OF
BUDGET YEAR, AND WE BELIEVE IT REPRESENTS DES-
PERATE HOPE RATHER THAN RIGOROUSLY CALCULATED
ESTIMATE. OF TOTAL ESTIMATED, RECEIPT OF ONLY 40
MILLION JD (USG AND KUWAITI AND SAUDI KHARTOUM
PAYMENTS) SEEMS ASSURED. ABU DHABI AND QATAR CAN
PROBABLY BE EXPECTED TO MAKE CONTRIBUTIONS IN
RANGE OF PREVIOUS YEARS, BRINGING REASONABLE EX-
PECTATIONS UP TO ABOUT 50 MILLION JD IN BUDGET
SUPPORT. SAUDI ARABIA SUBSIDIES HOWEVER, WHICH CONTRI-
BUTED ALMOST HALF OF 1977 BUDGET SUPPORT RECORDED
IN BUDGET RECORDS ARE BY NO MEANS ASSURED FOR 1978.
FOR EXAMPLE, MEMBER OF RECENT GOJ DELE-
GATION SENT TO RIYADH TO SOLICIT SAUDI BUDGET
SUPPORT CONTRIBUTIONS PRIVATELY TOLD EMBOFF THAT
WHEN QUERIED ABOUT 1978 SAUDI RABAT PAYMENTS
(ABOUT 17 MILLION JD OF BUDGETTED 52 MILLION
JD TOTAL), SAUDIS TOLD GOJ DELEGATION THAT AS WITH 1977
RABAT PAYMENT, SAUDI ARABIA WOULD NOT MAKE THIS
TRANSFER. ADDITIONALLY, SAUDIS HAVE NOT YET
AGREED TO CONTINUATION IN 1978 OF \$40 MILLION 1976 AND
1977 ANNUAL SUBSIDIES TO SUPPORT JORDANIAN PUR-
CHASES OF CRUDE OIL. THESE SUBSIDIES HAVE NOT
MADE APPEARANCE IN GOJ BUDGET DOCUMENTS AS CENTRAL
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BANK HAS HANDLED THESE TRANSFERS AS A "WASH"
(THEY ARE TRANSFERRED TO TAPLINE SHORTLY AFTER
THEIR RECEIPT), BUT IN ABSENCE OF OIL SUBSIDY IN
1978, THERE WOULD BE \$40 MILLION DEFICIT, WHETHER
RECORDED OR NOT. POTENTIAL SOURCE OF "OTHER"
BUDGET SUPPORT OF 11 MILLION JD IS PRESENTLY
UNKNOWN TO EMBASSY.

5. EXPENDITURES -- TOTAL CURRENT BUDGET EXPENDITURES, INCLUDING PART I (I.E. GOJ FINANCED) INVESTMENT BUDGET ARE ESTIMATED TO RISE ONLY 8 PERCENT IN 1978 AFTER INCREASE ON 28 PERCENT IN PREVIOUS YEARS. IF ALL INVESTMENT ALLOCATIONS ARE EXCLUDED FROM THIS CALCULATION, LEAVING ONLY DAY-TO-DAY COSTS OF RUNNING GOVERNMENT, THESE PERCENTAGES REMAIN THE SAME. GOJ APPEARS TO HAVE BEEN IMPRESSED FOR NEED FOR AUSTERITY BUDGET, MOST PROBABLY IN RECOGNITION OF UNCERTAINTY OF RECEIPTS OF ESTIMATED BUDGET SUPPORT. IN TOTAL INCREASE OF 15 MILLION JD BUDGETTED FOR CURRENT GOVERNMENT OPERATIONS ALMOST TWO-THIRDS IS ACCOUNTED FOR BY SALARY INCREASES FOR MILITARY AND PUBLIC SECURITY FORCES ANNOUNCED IN 1977. ALTHOUGH 1977 ACTUAL EXPENDITURES FOR "EMERGENCIES AND SUBSIDIES" INCREASED OVER BUDGETTED AMOUNT FOR 1977, INCREASES WERE FOR INVESTMENT PROJECTS RATHER THAN SUBSIDIES. SIMILARLY, ALTHOUGH AMOUNT ALLOCATED IN THIS CATEGORY IN 1978 AS EQUAL TO THAT ORIGINALLY BUDGETTED IN 1977, GREATER PROPORTION OF THIS YEAR'S ALLOCATION IS DEVOTED TO INVESTMENTS, AS OPPOSED TO SUBSIDIES, THAN WAS CASE IN ORIGINAL 1977 BUDGET.

6. COMMENT: DESPITE AUSTERE BUDGET ALLOCATIONS FOR EXPENDITURES, UNCERTAINTY REGARDING SAUDI AND "OTHER" BUDGET SUPPORT TRANSFERS MAKE PROJECTED 1978 BUDGET RATHER CHANCEY THING, AS USUAL. PROSPECT IS CERTAINTY FOR YEAR-END DEFICIT; QUESTION IS HOW LARGE IT
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WILL BE, WHEN IN THE BUDGET YEAR THE PINCH WILL BEGIN TO BE FELT AND HOW GOJ WILL BE ABLE TO HANDLE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUDGETS, DATA, GOVERNMENT REFORM
Control Number: n/a
Copy: SINGLE
Draft Date: 17 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978AMMAN01615
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780075-0492
Format: TEL
From: AMMAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780244/aaaabktf.tel
Line Count: 262
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 836347d5-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 AMMAN 1191
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 20 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3567507
Secure: OPEN
Status: NATIVE
Subject: GOJ 1977 BUDGET PERFORMANCE/PROSPECTS FOR 1978
TAGS: EFIN, JO
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/836347d5-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014